

United States Senate

WASHINGTON, DC 20510

October 28, 2019

The Honorable Kathleen L. Kraninger
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Director Kraninger,

We write to request that the Consumer Financial Protection Bureau (CFPB) immediately open an enforcement investigation into the Pennsylvania Higher Education Assistance Agency's (PHEAA) mismanagement of the Public Service Loan Forgiveness (PSLF) program, and the resulting harm to tens of thousands of public service workers and their families.

Congress established the PSLF program in 2007 to encourage individuals to work as teachers, nurses, firefighters, servicemembers, and in other public service positions. Under the program, the federal government agrees to forgive the balance of public service workers' federal student loans after they make ten years of qualifying loan payments. In 2012, the Department of Education awarded PHEAA the exclusive contract to manage the PSLF program.

For several years now, government watchdogs have repeatedly found that PHEAA's missteps, errors, and mismanagement of the PSLF program caused public service workers to be denied the loan forgiveness that they had earned. In 2017, the CFPB Student Loan Ombudsman's report found that public service workers had been denied for loan forgiveness because of PHEAA's "flawed payment processing, botched paperwork and inaccurate information."¹ A 2018 Government Accountability Office (GAO) report found that public service workers had improperly been denied loan forgiveness because of PHEAA's inability to properly account for qualifying payments and reliance on inaccurate information.² And in 2019, the Department of Education's Inspector General found that PHEAA had a "pattern of noncompliance" and was among the worst performing federal student loan servicers.³

¹ Consumer Financial Protection Bureau, "Staying on track while giving back," June 2017, *available at* https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf.

² U.S. Gov't Accountability Office, GAO 18-547, Public Service Loan Forgiveness, Education Needs to Provide Better Information for the Loan Servicer and Borrowers 17, 22 (2018), *available at* <https://www.gao.gov/assets/700/694304.pdf>.

³ See U.S. Dep't of Education, Office of Inspector General, ED-OIG/A05Q0008, Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans, Feb. 12, 2019, *available at* <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2019/a05q0008.pdf>.

In 2018, in response to “high denial rates . . . and evidence that some borrowers were misinformed by [PHEAA] about which repayment plans would qualify for PSLF,”⁴ Congress authorized a temporary expansion of the eligibility requirements for PSLF.⁵ According to a GAO report released last month, only 661 out of 53,523 applications were approved for loan forgiveness under the expanded PSLF program.⁶ In total, only 1,216 out of 102,051 PSLF applications have been approved for loan forgiveness.⁷

Under your leadership, the CFPB has failed to ensure that PHEAA makes good on the promise of loan forgiveness. Since 2017, the CFPB has refused to exercise its authority to conduct supervisory examinations of PHEAA’s servicing practices and its management of the PSLF program. We have repeatedly pressed the CFPB to conduct this critical oversight, but you have provided nothing but excuses for the CFPB’s inaction.⁸

Tens of thousands of dedicated public service workers and their families are paying the price for PHEAA’s incompetence and the CFPB’s failure to act.⁹ These women and men have served their communities for years, and relied on the government’s promise of loan forgiveness to make important life decisions about where to work, when to start a family, and when to buy their first home. They deserve better.

There is already overwhelming evidence—including in reports by the CFPB, GAO, and Department of Education Inspector General—that PHEAA’s mismanagement of the PSLF

⁴ See U.S. Gov’t Accountability Office, GAO 19-595, Public Service Loan Forgiveness, Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion, Sep 2019, at 6, *available at* <https://www.gao.gov/assets/710/701157.pdf>.

⁵ See Consolidated Appropriations Act, 2018, Public Law No. 115-141, Section 315, *available at* <https://www.congress.gov/bills/115th-congress/house-bill/1625/text>.

⁶ See GAO Report 19-595 at 11.

⁷ See U.S. Dep’t of Education, Office of Federal Student Aid, June 2019 PSLF Report, *available at* <https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/pslf-data>.

⁸ You explained that the CFPB had not been able to conduct complete examinations of PHEAA and other federal student loan servicers because the servicers stopped sharing information based on direction from the Department of Education. See Apr. 23, 2019 letter from K. Kraninger to Ranking Member Brown, on file with Senate Committee on Banking, Housing, and Urban Affairs. That is no excuse for the CFPB to abandon the examination process. The CFPB could have sought a court order requiring the Department of Education to grant access to this information so that it can conduct examination of federal student loan servicers, just as it did in its litigation against the student loan servicer Navient. See Oct. 9, 2019 letter from Ranking Member Brown and Ranking Member Murray to Robert Cameron, CFPB Student Loan Ombudsman, *available at* <https://www.banking.senate.gov/newsroom/minority/brown-and-murray-lay-out-expectations-for-new-cfpb-student-loan-ombudsman>.

⁹ See, e.g., https://www.washingtonpost.com/local/education/seeking-forgiveness-the-dizzying-journey-for-public-servants-with-student-debt/2019/08/11/33cab720-b21e-11e9-8949-5f36ff92706e_story.html; <https://www.npr.org/2018/10/18/658447443/i-am-heartbroken-your-letters-about-public-service-loan-forgiveness>; <https://www.chalkbeat.org/posts/ny/2019/07/30/denied-student-loan-forgiveness-this-nyc-art-teacher-with-88000-in-debt-has-joined-a-suit-against-betsy-devos/>.

program has resulted in widespread violations of federal law.¹⁰ At this point, the time has passed for the CFPB to examine PHEAA's servicing practices for potential violations of law. Public service workers and their families need immediate protection from ongoing harm. We therefore ask that the CFPB do its job and immediately open an enforcement investigation into PHEAA's servicing practices, management of the PSLF program, and other potential violations of federal consumer financial laws.

We ask for a response to this request no later than November 11, 2019. Thank you for your attention to this important matter.

Sincerely,



SHERROD BROWN
United States Senator



JACK REED
United States Senator



ROBERT MENENDEZ
United States Senator



JON TESTER
United States Senator




MARK R. WARNER
United States Senator



ELIZABETH WARREN
United States Senator

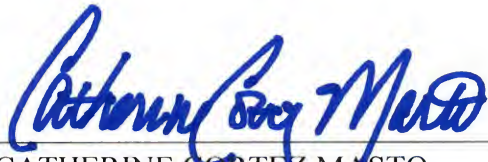


BRIAN SCHATZ
United States Senator



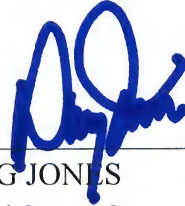
CHRIS VAN HOLLEN
United States Senator

¹⁰ In addition, the Massachusetts Attorney General and New York Attorney General filed lawsuits against PHEAA alleging it has engaged in unfair, deceptive, or abusive acts and practices in violations of the Dodd-Frank Act. *Massachusetts v. PHEAA*, Case No. 1784CV02682 (Mass. Dist. Ct. Aug. 23, 2017), available at <https://www.nytimes.com/interactive/2017/08/23/business/dealbook/document-Massachusetts-v-PHEAA-Complaint.html>; *New York v. PHEAA*, Case No. 19-cv-9155 (S.D.N.Y. Oct. 3, 2019), available at https://ag.ny.gov/sites/default/files/pheaa_complaint_with_file_stamp.pdf.



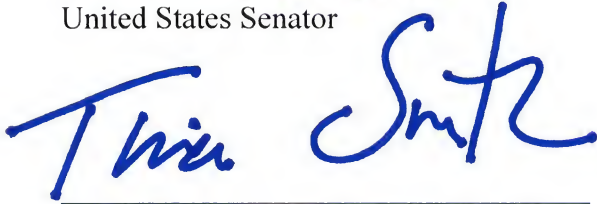
CATHERINE CORTEZ MASTO

United States Senator



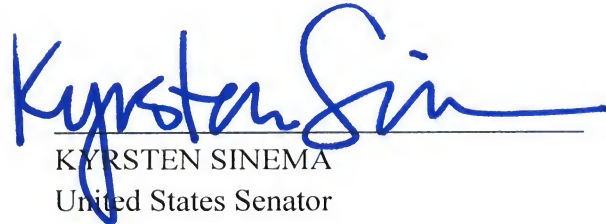
DOUG JONES

United States Senator



TINA SMITH

United States Senator



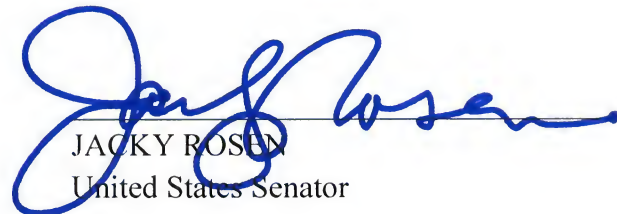
KYRSTEN SINEMA

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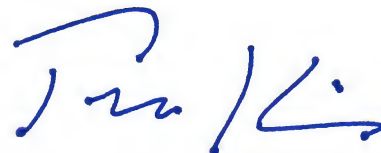
RICHARD BLUMENTHAL

United States Senator



RICHARD J. DURBIN

United States Senator



TIM KAINE

United States Senator



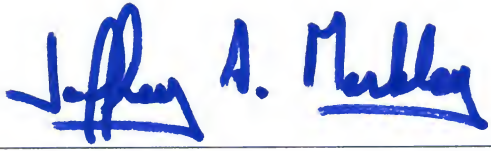
KAMALA D. HARRIS

United States Senator

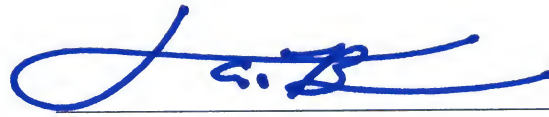


BERNARD SANDERS

United States Senator

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JEFREY A. MERKLEY
United States Senator

Handwritten signature of Cory A. Booker in blue ink.

CORY A. BOOKER
United States Senator

Handwritten signature of Edward J. Markey in blue ink.

EDWARD J. MARKEY
United States Senator